7 February 1997

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Dear Mr. Giusti

Attached are comments of the Telecommunications Authority of Singapore on the Federal Communications Commission's Notice of Proposed Rulemaking in the matter of International Settlement Rates (IB Docket 96-261).

Please treat these comments as formal comments filed in the proceedings.

Thank you.

Valerie D'Costa

Chief of International Affairs

Telecommunications Authority of Singapore

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Before the

FEDERAL COMMUNICATIONS COMMISSION

Washington, D.C. 20554

In the Matter of)	
)	IB Docket No. 96-261
International Settlement Rates)	
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To: The Commission

COMMENTS OF

THE TELECOMMUNICATION AUTHORITY OF SINGAPORE

1. The Telecommunication Authority of Singapore ("TAS"), submits these comments on the Federal Communications Commission's ("Commission") notice of proposed rulemaking ("Notice") in the above captioned proceeding to adopt new rules concerning international accounting rate benchmarks. TAS is an independent statutory body that regulates and formulates public policy for the telecommunication industry in Singapore. TAS' expressed comments are made in its capacity as the national regulator of the telecommunication industry in Singapore.

I. INTRODUCTION

2. The Notice states that "a multilateral consensus has emerged that the traditional accounting system must be reformed because it results in settlement rates that are substantially above costs and creates competitive distortions and inefficiencies in the global telecommunications market". TAS recognises that the current international settlement regime based on bilaterally-negotiated accounting rates requires reform towards "cost-based" settlement rates. Singapore is in general agreement with the motivation behind the Notice which is to achieve non-discriminatory "cost-based" accounting rates.

II. ACCOUNTING RATES AS A MULTILATERAL ISSUE

- 3. While the Notice recognises that International accounting rate system requires "a broad based effort", the proposed method to revamp a complex and long-standing internationally-agreed arrangement unilaterally stands contrary to the Commission's conviction to "support the work done in international for a to reform the traditional settlement rates system".
- 4. Moreover, an unilateral approach may worsen traffic and settlement rate discrepancies for the rest of the countries, thus aggravating the situation the Commission seeks to correct. These discrepancies create new arbitrage possibilities and increase further economic distortions. An isolated effort towards resolving a multilateral issue will lead to greater economic dislocations, resulting in an unstable and unsustainable situation over time. In this regard, the Commission has not considered the potential problems other countries face in adjusting their settlement rates with one another.
- 5. This situation will be further aggravated by the Commission's proposed enforcement measures which, though directed at US carriers, would have the not effect of impinging adversely on all foreign carriers.
- 6. It is, therefore, far better that the reform of the traditional accounting rate system be resolved within an international multilateral framework such as that of the ITU. This is especially so since the Notice also recognises that "a multilateral consensus for reform... has emerged". ITU, the UN agency responsible for global telecommunication issues, would be a possible resolution forum. In fact, it has already established Study Group 3 whose task it has been to find appropriate mechanisms to move towards cost-based international accounting rates¹

ITU-T Recommendation D.140 recommends to all ITU members that accounting rates should be cost-oriented and that administrations should periodically review accounting rates to ensure they reflect current cost trends. Reductions should be implemented in an expeditious but staged manner.

V. CONCLUSION

7. While TAS recognises the need to expeditiously move towards "cost-based" settlement rates, any unilateral effort undertaken by any country leads to unstable and unsustainable situation internationally. The method by which settlement rates are to be aligned closer with cost should be one of an international approach with broad-based support for an endurable multilateral solution.